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# Capabilities Development among Elderly Chinese: a Comparative Study Between two Different Hukous

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## Abstract

The hukou system has immense power over the Chinese people as a concept that relates to people's social and economic positions, it has institutionalized inequality and discrimination against people with agricultural hukous. The situation is worsened by the skewed demographic composition of the rural areas; the rural demographics have become increasingly disproportionate as elders and children are left behind, due to massive rural-urban migration by the working generation. Because of migration, the traditional intergenerational contract has changed, where the elderly must continue to do a considerable share of the agricultural work, as well as care for the left-behind children. This potentially creates a situation where land may be left uncultivated, resulting in poverty and increasing dependency on welfare for the left-behind elderly.

This article will contribute to the current debate regarding the segregational power of the hukou system within the Chinese 'appropriate universal' welfare system. The approach taken in this article will provide an unorthodox perspective from which to view the hukou divide, by exploring an alternative stream of development thinking termed 'the capability approach' by Amartya Sen.

Through this approach we examine the divide created by the hukou system by exploring equity in capability development across the hukou divide; it is a crucial question whether the institutional logic of the hukou system is inhibiting elderly people and limiting their capabilities in their realm of autonomy.

**Keywords:** Capability approach, China, Hukou system, Eldercare, Old-age policies

## Introduction

The economic reforms of the 1970's created an abundant amount of employment opportunities in China - favorable population age structure, abundance of labor supply and enormous migration flows has made it possible for China to reap the rewards of demographic dividends over the past few decades (Bloom & Finlay, 2009). However, while the size of the Chinese labor force has been rising over the past decades, the

structure of the labor force has changed; it is ageing and the young labor force is relatively small in size (Peng, 2013).

Within a short period of time the population age structure has changed substantially in China. The youth dependency ratio has, according to the World Bank Development Indicators, decreased from 42% in 1995 to 23% in 2014, while the old-age dependency ratio has increased from 9% in 1995 to 13% in 2015 (WB, 2017). This development in itself cannot be considered remarkable. However, coupled with a significant rise in life expectancy from 43.4 years in 1960 to 76 years in 2015 (WB, 2017), this development will entail a tremendous strain on the Chinese pension system.

China is, like a majority of the world, facing an issue of population ageing. What is distinctive about China is that they are facing this problem at a lower level of income and on a more compressed timescale, furthermore is there a lack of a safety net in China as the Chinese 'appropriate universal' welfare state has serious gaps and is highly divided across social strata. Despite notable reforms within the pension system, the overall pension system is still plagued by inadequate and declining replacement rates as well as fragmented risk pooling and the lack of a continual transfer system. This coupled with an inherent lack of willingness to contribute to the mandatory public pension system due to lack of transparency, mismanagement and corruption, has eroded the people's confidence in the public pension system (Peng, 2016).

Furthermore, has the demographic composition of the rural areas become increasingly disproportionate as elders and children are left behind, due to massive rural-urban migration by the working generation (Shi, 2012). Due to migration, the traditional intergenerational contract has changed, where the elderly must continue to do a considerable share of the agricultural work, as well as care for the left-behind children. This potentially creates a situation where land may be left uncultivated, resulting in poverty and increasing dependency on welfare for the left-behind elderly (Murphy, 2004).

It is argued by many (see e.g. Saich, 2008; Chan & Buckingham, 2008; Frazier 2010a; 2010b; Shi, 2012; Gao et al. 2013; Kongshøj, 2014; Long & Li, 2016; Li et al., 2016) that the key for understanding the most prevalent challenge for Chinese social policy making at this time, is the hukou system. The hukou system is the official proof of residency for Chinese citizens, it determines a persons' access to e.g. social welfare (Cheng, 1991), but on a more profound level is the entrenchment of social strata by dividing citizens into classes (see e.g. Zeuthen, 2012; Gao et al, 2013). The hukou system is not simply a manifestation of citizenship, it is essential for all aspect of daily life, it works to stratify individuals and regions and allocate resources and opportunities (Fei-Ling, 2005). The rural-urban divide has created social disparities, both within and among regions, although some attempts have been made at rural-urban harmonization, it is

however argued by S-J. Shi (2012: 806) that “...they appear unable to reverse the ongoing decentralization of social protection, which would precipitate the ‘variable geometry’ of social policy development in the foreseeable future.” This further creates a barrier for inclusive social citizenship to evolve, due to the inability to overcome the institutional fragmentation of social security among regions.

The problem is mainly evident in rural China as a product of the rural-urban divide that has plagued China since the 1950’s. A major challenge persists in balancing the supply of public goods and services in both urban and rural areas due to the longstanding segregation in pensions, healthcare, infrastructure and education (Shi, 2012).

This paper adopts social exclusion theory to examine the prevalence of inequality and take-up issues in access to the pension system and old-age care in Post-Mao China. The main contribution made by this article is a test of Amartya Sen’s (1979, 1990, 1992, 2000) capability approach in the Chinese context, more specifically on the social divides created by the institutional logic of the hukou system. The hukou system is in this article, regarded as the entrenchment of the Chinese welfare state.

This article commences with an introduction to social policymaking in China and the exact scope of the hukou system within the welfare state framework. The first part will look into social policy making in China as an entity, as it is not possible to separate eldercare and old-age policies and still get a holistic picture of the situation. Following this, the paper seeks to relate Sen’s capability approach to the welfare state framework by introducing the theory in relation to Thomas Humphrey Marshall’s (1950) notion of social citizenship.

The paper seeks to operationalize Sen’s notion of capability development to examine the situation facing elders in China across the hukou divide. Sen’s approach facilitates an appraisal of the process of welfare exclusion embedded in the hukou system. The significance of the capability approach is that it allows one to recognize different needs and choices confronting different social groups. It is a broad approach, which allows for an analysis of individual and cohort welfare, marginalisation, poverty, social change etc. (Robeyn: 2006). Lastly, this article will apply the framework onto the area of eldercare and old age policies across the hukou divide.

## Towards an integrated analytical framework

### The Hukou system – an institutional logic of welfare segregation

The hukou system, deeply embedded in the socialist ideology and the planned economy, loosely translates into residency proof. The hukou system came about during the Great Leap forward in 1958-59, where a hukou was assigned to everyone. The hukou was used to standardize access to land, housing, food,

education, medical care etc. The paternalist Chinese government thereby assumed responsibility for the welfare needs of the population. A major characteristic was the distinction between agricultural and non-agricultural occupations (see e.g. Zeuthen, 2012; Xu, 2012), a distinction that still persist to present times with pronounced inequalities in economic and social resources between agricultural and non-agricultural workers (Lam & Liu, 2014).

When the system was first initiated, the ration system in place for non-agricultural hukou-holders ensured their survival, while millions of agricultural hukou holders starved to death (Zeuthen, 2012). This signifies that urban citizens were well taken care of by the government, while rural citizens were to overcome hardships by "... rely[ing] on the masses, rely[ing] on the collective, regeneration through production, mutual help and mutual relief, supplemented by necessary relief and development aid from the government." (Wong, 1998:94). As a product, the welfare system was meagre for rural citizens, while it was comprehensive and generous for the urban citizens (Gao et al., 2012).

**Figure 1 Rural/urban differences in income, consumption and MSLS**

	Rural	Urban
Total populaion (2015)	603.460.000,00	771.160.000,00
Proportion (%)	43,9	56,1
Disposable income (CNY) (2015)	11421,7	31194,8
Consumption expenditure (CNY) (2015)	9222,6	21392,4
Number of residents receiving minimum living allowance (MSLS) (2014)*	356.630.000,00	227.210.000,00

Sources: China Statistical Yearbook, 2015 and \* Source: OECD, 2017

It is made evident from figure 1, that today's society is not far from what it was when the system was first initiated. Income and consumption expenditure remains much higher in urban areas, furthermore there is a difference of 129.420.000 people receiving minimum standard of living scheme allowance between rural and urban residents and this taking into account that rural citizens only constitute 43,9% of the population in 2015. Lastly, it should be mentioned that the MSLS allowance is considerably lower in many rural areas compared to their urban counterparts (OECD, 2017).

The hukou system has in recent times been framed as having been abandoned. This has however been questioned by many (see e.g. Chan & Buckingham, 2008; Zeuthen, 2012; Kongshøj, 2014). The reasoning is that the discourse is based on a misunderstanding of the current hukou system, the distinction between non-agricultural and agricultural occupations has been abolished. However, the hukou is still registered according to residency. Due to this, the welfare provisions for those not holding a local hukou are as limited as they have always been (Chan & Buckingham, 2008), and as we can see from figure 1, there are still stark (economic) differences between the rural and urban population.

Many argue (See e.g. Chan & Buckingham, 2008; Zeuthen, 2012; Kongshøj, 2014) that this (supposed) abolition has not weakened the rural-urban divide and the overall depiction of the rural citizens as poor and the urban citizens as rich remains unchanged.

It is argued by W. Fei-Ling (2005), that a classic case of dual economy and dual society has been developing in China for the past half century due to institutional diversity. However, it also limits the notion of social citizenship in China as it is argued by C. Tiejun & M. Seiden (1994: 644) that the hukou system "... not only provided the principal basis for establishing identity, citizenship and proof of official status, it is essential for every aspect of daily life.". The Chinese scholar P. Yiyong furthermore stipulates that the hukou system has been "... affixing people's social career, role, personal identity, production and living space; restricting the free migration of people and labor; maintaining and strengthening the dual economic and social structure between the urban and the rural areas." (Fei-Ling, 2005: 119). The widespread institutional diversity of social security is a breeding ground for protectionism against outsiders, urban or rural, excluding 'others' from claiming local social benefits (Shi, 2012).

The hukou system is a possible institutional explanation for negative perceptions and 'otherization' among the Chinese population by enforcing dual social citizenship. A wide arrange of studies (see e.g. Titmuss, 1974; Pierson, 1994; Larsen, 2006; Svallfors, 2007; Slothuus, 2007) have shown that the formation of support among citizens, for welfare policies, is heavily influenced by the institutional arrangement of the welfare regime they inhabit. It is argued that different institutional arrangements not just influence the way citizens perceive the world, but also how they classify 'us' versus 'them' in the context of the welfare state. This 'context', commonly operationalized by G. Esping-Andersens 'The Three Worlds of Welfare Capitalism' (1990), suggests that welfare states follow a path-dependent trajectory and that perceptions are a product of reproductions where institutions create feedback-effects and shape the interests and perceptions of the citizenry, following the thoughts of historical institutionalism. The theoretical assumption regarding feedback from social policy on public attitudes or perceptions is also known as deservingness theory. According to deservingness theory, individuals consult a deservingness heuristic, also known as a mental

shortcut, which guides opinion formation when confronted with a person or group, which appears deserving/undeserving (see e.g. Oorshot, 2000; 2005; Larsen, 2006). W. V. Oorshot has identified five 'deservingness criterias' (Oorshot, 2000:36), particularly two criteria's are highly important in the context of the hukou-divide; identity and reciprocity. The Chinese population perceive the people on the other side of the hukou divide as a different group whose deservingness is low, mainly because the other group is perceived as 'others' who are not contributing to the common good.

### Social exclusion: T.H. Marshall and A. Sen

Social exclusion is a nebulous concept, with many different approaches. In this instance, we will briefly explore T.H. Marshall's (1950) notion of social citizenship in relation to the welfare state. In order to build upon our integrated analytical framework, we will include A. Sen's 'Capability approach' (1979, 1990, 1992), as to expand the understanding of the capability approach and its applicability to a welfare state framework.

Marshall (1950) describes the relationship between the welfare state, social rights and social citizenship in his essay entitled "Citizenship and Social Class". He defines how democracy and the social rights it produces, also known as welfare, is a way to moderate societal conflicts and build social citizenship. In this sense, social cohesion is determined by the support for democracy and opposition to socialist thoughts of revolution (Larsen, 2015). However, a more modern indicator of social cohesion is whether the community is based on fundamental trust, which in highly differentiated communities can be key to securing their functionality and a crucial component in making democracy work. Trust is further prerequisite for a functioning market economy, by reducing the social transaction costs (Larsen, 2015). With this in mind, C.A. Larsen (2015b:75) defines social cohesion as the national citizenry's perception of a morally bound community which allows them to trust each other. This definition, does to a certain degree correspond with Marshall's notion of social citizenship; "Citizenship, even in its earliest form, was a principle of equality (...) Citizenship requires a direct sense of community membership based on loyalty to a civilization which is a common possession" (Marshall, 1950: 150-151).

It implicitly lies in these definitions that a coherent welfare state, for instances like that of the Nordic countries, in creating economic equality contingent on trust in a society, contributes to creating social cohesion. By creating economic equality, we create a society in which the citizens are equals, there is no notion of classes, the typical citizen is, acutely put, part of the middle class. Conversely, in societies where there is a high degree of inequality an 'illusion' of the delinquent and untrustworthy bottom groups is often created (Larsen, 2015). In a society with economic equality there is a greater foundation for trust, trust that

everyone participates and that no one takes more than they need. The intent being that we, in accordance with deservingness theory, eliminate the 'us versus them' conflict.

Marshall builds his notion of social citizenship on the foundation of social rights, so does Sen to some degree, both theories relate to the same fundamental idea of equality, meanwhile Marshall's framework does not reach the same depths of the concept of freedom as that of Sen.

From the viewpoint of Marshall individuals are equal if they are all governed by the same social rights and by creating economic equality, however a key point in the capability approach is to distinguish between commodities (resources) and capabilities; the possession of commodities does not enhance your capabilities unless you are able to transform these into freedom (Sen, 1985). Of course, obtaining social rights is one way to secure the capabilities of individuals, however as we shall explore further, it does not necessarily mean that an individual will attain these capabilities.

The specific applicability of the Capability approach is rather broad, it can be considered more as a perspective or framework rather than as a set theory. It works "... as an alternative to mainstream cost-benefit analysis, or as a framework to develop and evaluate policies, ranging from welfare state design in affluent societies, to development policies by government and non-government organisations in developing countries. It can also be used as a normative basis for social and political criticism." (Robyens, 2006:352). Due to this, it is more or less applied as a conceptual framework.

The capability approach came to life in the shadows of the neoliberal mainstream. A. Sen argues that we should take into account alternative measurements of development which he coins by three main concepts; functionings, capability and agency (Sen, 1995: ch. 4-5). *Functionings*, Sen operationalizes as an interrelated set of 'beings and doings' that determines a person's wellbeing, for instance having access to basic amenities, being educated, healthy etc., but also more complex functionings such as having self-confidence or having the ability to participate in society. *Capabilities* is the feasibility that you can access the functionings or rather the freedom to pursue valuable functionings. The two concepts should not be confused, as "A functioning is an achievement, whereas a capability is the ability to achieve. Functionings are, in a sense, more directly related to living conditions, since they are different aspects of living conditions. Capabilities, in contrast, are notions of freedom, in the positive sense: what real opportunities you have regarding the life you may lead" (Sen 1987:36).

Lastly, Sen defines *agency* as the third core concept, which refers to an individual that not only has the ability to pursue functionings that he or she finds valuable, but also makes use of this ability (Sen, 1995). Agency freedom for instances relate to the freedom to voice political concerns. Well-being is another

related concept, which is important to distinguish from the concept of agency. Wellbeing can be achieved at the expense of agency freedom and vice versa. The argument for this distinction is that the outcome is influenced by individual preferences, so the freedom to act in a manner that pleases the individual, should be uniform (Sen, 1987).

### Passive exclusion – disparity in quality of welfare

The hukou system has created divides within the Chinese population with a de facto dual citizenship, which at times trigger discourses comparable to anti-immigrant discourses in other national contexts (Kongshøj, 2014). This ‘otherization’ or division into those that are deserving and those who are not potentially has great effect on the most vulnerable groups in society, here among the elderly, which according to the World Bank amounted to almost 180 million people in China in 2015, hereof 70% live in rural areas (Long & Li, 2016).

The hukou divide is the entrenchment of social strata and a powerful tool for sustaining a sense of apartheid in China: “The urban taxi driver thus reproduced the urban-rural boundary as a boundary between different types of human beings (...) presenting Chinese peasants as massively despised (...) presenting rural subjects as uncultivated and discriminated against (through, among other things, the hukou-system), ‘non-citizens’ with ‘nothing but their labour to sell’.” (Zeuthen, 2012: 685). There is a great deal of stigma associated with being ‘rural’, which many elders internalize, and come to perceive themselves as ‘unworthy’ of care, rather than perceiving themselves as ‘sick citizens’ they identify as ‘old peasants’ (Long & Li, 2016).

There are immense barriers for inclusive social citizenship, due to the inability to overcome the institutional fragmentation of social security across the hukou divide and lack of trust in, the people on the other side of the hukou wall. The institutional logic of the hukou system promotes widespread institutional diversity of social security, which creates a divide in the Chinese people similar to that between national citizens and immigrants in other contexts. Rural elders are aware that they are receiving less than their urban counterparts are, but will justify such differences “... by referring to urban residents’ superiority.” (Long & Li, 2016:1696).

Through the persistent depiction of rural people as lesser, especially elders, whom have served their purpose as part of the work force, the hukou system is constraining rural elders in an idea of themselves as a distinct undeserving group.

### Old age policies: Social and economic disparities

T.H. Marshall (1964) argues that exclusion of non-citizens is prerequisite for inclusive citizenship as legal rights and duties are bestowed upon all inhabitants within a state territory, creating a uniform collective, through institutional fusion which is "... geographical, detaching the privileges of social groups from their local character and reattaching rights and obligations to national territory." (Marshall, 1964:73). To Marshall, the solution for economic and political inequalities is to create uniform social rights, however as argued above there has been limited institutional fusion in China, and quite on the contrary there has been a persistent reproduction of diversification through the hukou system.

Many new welfare schemes for rural and urban elders, both within health and pensions, have been adopted in China in the past 10-15 years. According to China Statistical Yearbook (2012) the coverage of urban employee basic pension system very quickly expanded from 61.7 million in 1990 to 304.3 million in 2012 and Peng (2016:59) claims that the number of participants in the new rural social pension system in 2011 was three times higher than in 2010. By the end of 2012 a total of 483.7 million people were covered by the new rural and urban resident social pension system.

There has been made great strides in expanding the public pension system, both in terms of coverage and generosity, but China still has a long way to go to reach full coverage, as well as securing the equity of the old age pension system, especially across the hukou divide (see e.g. Shi, 2012; Lam & Liu, 2014; Kongshøj, 2015c; 2015b; Peng, 2016).

Urban citizens have access to a broad-range of welfare goods, jobs, subsidized housing, education, medical care and pensions. Rural citizens do to some degree, have access to these community resources; however, their opportunities are highly limited, as they do not have access to quality education or formal employment with pension benefits (Li et al., 2016; Cai et al., 2012). During the life course, rural elders have not enjoyed them same opportunities as urban elders; they have had fewer prospects for moving up the social ladder and accumulating wealth. Rural elders are thus at a much greater risk of poverty in retirement (Cai et al., 2012).

Rural elders, unlike urban elders, perceive their well-being as their own responsibility (Long & Li, 2016) and are thus reproducing a path dependent sense of self-providing resilience created under the 'Iron Rice Bowl'. This fosters a classic welfare problem, known as a take-up problem, where influential or resourceful citizens, urban elders, receive better service and welfare benefits than the disadvantaged rural elders do - this in turn creates a welfare system that becomes less equal (Andersen & Larsen, 2015).

China has taken important steps towards increasing coverage and securing adequate social protection for rural elders, access to the pension system and eldercare is however still marked by old divides (see e.g. Cai et al., 2012; Ngok, 2013; Liu & Kongshøj, 2014; Kongshøj, 2015a; Peng, 2016; Li et al., 2016). To name a few, social pension schemes have not kept pace with the general increase in income; MSLS allowance, which is most predominant in rural areas, is in some ways more comparable to the stigmatizing “Poor Laws” of the nineteenth century in the Western world; the health insurance schemes are not equipped to meet the actual needs of the rural elders etc. (see e.g. Huang, 2012a; 2012b; Shi, 2012; CDRF, 2012; Kongshøj, 2015b; 2015d; Li et al., 2016; Peng, 2016).

### Eldercare: social support and social participation

The Chinese government has, with some success, promoted a reform of social health insurance to address the issues of an ageing population, lastly with the addition of the NCMS scheme<sup>1</sup>. However, empirical evidence shows that this reform has not brought a significant increase in the utilization of medical services by the rural elders (Liu et al., 2012; Long & Li, 2016).

Among rural elders, health-seeking behaviour is not common and elderly patients can thus receive inappropriate or no treatment for chronic conditions. As mentioned earlier, rural elders see themselves as inferior or unworthy, they do not value their health as worthy of treatment. Furthermore, a study by Long & Li (2016) has shown that rural elders and their caregivers will take for granted that individuals and their families should manage health issues on their own. This is in stark contrast to urban elders, whom perceive themselves as Chinese citizens entitled to medical care provided by the government (Long & Li, 2016:1694). The situation is worsened by the disparities in quality of healthcare across the rural/urban boundary. Urban hospitals are in general considered as quality healthcare facilities; however, rural hospitals struggle to attract qualified healthcare professionals and in many cases must settle for ‘barefoot doctors’<sup>2</sup> (Long & Li, 2016). The barefoot doctors have improved the health of rural citizens a great deal (WHO, 2008), however the standard and treatment options in rural areas remain inferior to urban areas.

The most worrying issue for eldercare in China is the rapidly rising suicide trend among the elderly (Nie, 2016). A recent study by Wang et al. (2014:935), shows that while suicide rates in general have been declining over the past two decades, it has been rising among the elderly. It is found that suicide rates increased with age and peaks in the oldest group (85+ years). This tendency is by far stronger in the rural group. Suicides rates for rural men over the age of 85 years are almost twenty times higher than the nationwide suicide rate.

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<sup>1</sup> Residency-based social health insurance, financed by taxes, in addition to individuals’ payment

<sup>2</sup> Farmers who received minimal basic medical training

The same pattern emerge when we look at levels of depressive symptoms. Several studies in China have consistently reported that rural older adults have higher levels of depressive symptoms than their urban counterparts do (see e.g. Chen et al., 2004; 2005; Ma et al., 2008, Li et al., 2016). An analysis by Zhang et al. (2012) shows that the prevalence rate of depression among rural elders was 29.2%, compared to ‘only’ 20.5% among urban elders.

Both the studies of suicide rates and depression has yielded very different results from what is found in other countries where there has been no significant difference or a slight rural advantage, when it comes to depression (Li, 2016). Whereas suicides in other parts of the world peak in midlife and thereafter, show a decline (Nie, 2016).

The reason behind these high depression and suicide rates among rural elders in China, shall in part be found in the social exclusion mechanisms of the hukou system, but it may also be due to a lack of social support and participation. Rural elders may have lower levels of social support and social participation. In part, rural elders are likely to have less spousal support due to the high depression and suicide rates. Furthermore, many are left-behind elders, as their children have migrated to cities and are not able to provide instrumental and emotional support. Due to migration flows from rural to urban areas, more than 200 million young rural migrant are now working in urban areas – and this number is likely to double. A significant amount of young women are working for urban households, where they take care of the children and the elderly. This has significantly alleviated the burden for eldercare in the cities, but has exacerbated the problem in rural areas (Nie, 2016).

In rural China, Children are typically seen as the main source of security in old-age (Li et al., 2010) . Through the norm of filial piety, adult children are obliged to provide financial, physical and material support to their parents. The multi-generational household form, in which parents and children co-reside, is the embodiment of the informal support system, which has been the cornerstone of eldercare in China for more than 2000 years (Gruijters, 2017; Li et al., 2010). Today’s living arrangements of rural Chinese elders have become more diversified, with a steep decline in co-residence rates (Gruijters, 2017). The old co-residence support system is no longer sustainable as socio-economic modernization derives the working generation towards a ‘better life’ in the cities. The rural elders are in many cases not able to take part in the dream of a ‘better life’ in urban areas, thus they would not be part of the welfare system, as welfare benefits are closely tied to ones hukou and pooled at a local level.

## Conclusion

The system of resource allocation built in to the Chinese welfare state and facilitated by the hukou system favours urban areas in China and creates a vast gap in equality between urban and rural areas.

The inequalities that are embedded in the hukou system are likely to constrain the agency freedom of rural elders in pursuing goals, which subsequently undermines their opportunity equality. However, from this perspective, the reduction of poverty among rural elders in China should be considered a great step in empowering individuals and securing them access to their functionings. The Chinese government has poured copious resources into increasing pension schemes and healthcare in rural areas. However, even though China has taken great leaps in their development strategy and has procured many functionings for their ageing population in recent years, there remains a great deal of social inequality due to extraordinary disparities across the country. Social challenges, such as social and economic inequality across the hukou divide persists (Shi, 2012).

The hukou system is limiting the functionings of rural elders, through a limited old age pension system. Rural elders in China do have access to old age pensions however not to the same degree as urban elders, as there is no uniform pension system across the country. This facilitates a situation where elderly rural people are perpetuating a path dependent sense of self-providing resilience created under the 'Iron Rice Bowl'. They accept their identity as 'old peasants' and the connotation that comes with it and they see their well-being as their own responsibility. The hukou system is in this sense, not only limiting the functionings of the rural elders, but through the institutionalization of rural people as inferior, they are limiting their capabilities.

Due to the hukou system, it is very difficult, as mentioned earlier, for rural elders to move to urban areas and pursue 'a better life' or follow their migrant children. This potentially undermines the agency freedom of rural elders because they are restricted from pursuing coveted goals; it further inhibits their possibility of developing their capabilities.

We therefore argue that the institutional logic of the hukou system promotes widespread institutional diversity of social security in pensions and eldercare, which creates a divide in Chinese citizens similar to that between national citizens and immigrants in other contexts. The hukou divide furthers a situation where trust and social cohesion is not possible and where the elders on the other side of the hukou wall are perceived as a distinct and diverse undeserving group. The rural elders are being excluded by the Chinese welfare system and due to the institutional logic of the hukou system, not able to take advantage of their full potential in regards to their functionings, capability and agency, in accordance with the capability approach.

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